

Message Text

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PAGE 01 NEW DE 08086 01 OF 02 120740Z

12

ACTION NEA-12

INFO OCT-01 EUR-25 ADP-00 CIAE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12 IO-13

ACDA-19 MBFR-03 EB-11 COME-00 TRSE-00 OMB-01 SCEM-02

INT-08 AID-20 AGR-20 RSR-01 /200 W

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R 111830Z JUL 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5502

SECDEF WASHDC

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMEMBASSY COLOMBO

AMEMBASSY KATHMANDU

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 8086

BEIRUT POUCH TO USINT BANGDAD

KUWAIT PASS QUINLAN MUSCAT

FOR SECRETARY SCHLESINGER FROM AMB MOYNIHAN

E.O. 11652: GDS

TAGS: PFOR, MILI, IN, IR, IZ

SUBJ: INDO-IRAQI RELATIONS: MILITARY SUPPLY AND OIL DIPLOMACY

REF: (A) NEW DELHI 7418; (B) BAGHDAD 376; (C) BAGHDAD 289

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PAGE 02 NEW DE 08086 01 OF 02 120740Z

BEGIN SUMMARY:

YOU ASKED ME FOR THIS EMBASSY'S ASSESSMENT OF CURRENT INDIAN ACTIVITY IN, AND DESIGNS ON, IRAQ. OUR JUDGEMENT IS THAT THERE IS MUCH LESS SUBSTANCE TO THE ALLEGED MILITARY INVOLVEMENT THAN RECENT NEWS ACCOUNTS WOULD SUGGEST. AT THE SAME TIME, THERE IS GROWING ECONOMIC INTER-DEPENDENCE BETWEEN THE TWO NATIONS, BASED IN LARGE PART ON OIL. GOI MILITARY ACTIVITY IN IRAQ APPARENTLY CONSISTS OF 13 PILOT INSTRUCTORS AND LITTLE MORE. INDIA DENIES ANY INTENTION OF GOING BEYOND THIS. THIS SITUATION COULD CHANGE, WE WILL KEEP YOU INFORMED, AND WOULD APPRECIATE THE SAME FROM WASHINGTON. ON THE ECONOMIC SIDE, A RECENT INDO-IRAQ OIL AGREEMENT COULD MEAN THAT BY 1978 IRAQ WILL SUPPLY ONE THIRD OF INDIA'S CRUDE OIL IMPORTS. THERE ARE RELATED ECONOMIC ENTANGLEMENTS IN THE OFFING AS WELL. THE MORE RELEVANT POINT AT THE PRESENT MOMENT IS THAT IN 1972 INDIA GOT 80 PERCENT OF ITS IMPORTED CRUDE OIL--ABOUT 48 PERCENT OF ALL HER OIL NEEDS--FROM IRAN.

END SUMMARY.

1. WHEN INDIAN FOREIGN MINISTER SAWARAN SINGH VISITED BAGHDAD MAY 23-25 OF THIS YEAR, HE SAID THE MAIN PURPOSE OF HIS TRIP WAS TO FOSTER ECONOMIC AND POLITICAL COLLABORATION WITH IRAQ, NOTING THAT HE HAD ALSO COME TO THANK IRAQ FOR HELPING INDIA WITH OIL SUPPLIES (REF C). IN 1972 INDIA IMPORTED 61 PERCENT OF ITS CRUDE OIL NEEDS, OR 12.3 MILLION TONS. FOUR-FIFTHS CAME FROM IRAN, AND SAUDI ARABIAN CRUDE MADE UP THE REST. INDIAN CRUDE OIL NEEDS ARE GROWING AND DOMESTIC CRUDE SUPPLIES FROM ASSAM AND GUJARAT ARE DWINDLING, SO THAT IMPORT NEEDS CAN BE EXPECTED TO RISE UNLESS THERE ARE MAJOR DOMESTIC OFF-SHORE AND ON-SHORE EXPLORATION STRIKES. LATE IN 1972, INDIA ENTERED INTO AN AD HOC AGREEMENT WITH IRAQ FOR THE PURCHASE OF RUMAILA FIELD CRUDE OIL, PREVIOUSLY ALLOTTED TO THE SOVIETS. THIS CRUDE WAS TO HAVE AUGMENTED LAGGING DOMESTIC SUPPLIES TO THE GOI-OWNED BARAUNI, BIHAN, REFINERY, BUT ONLY LIMITED QUANTITIES HAVE ACTUALLY REACHED INDIA THUS FAR. EARLY IN MAY 1973, IRAQ AGREED TO PROVIDE INDIA A TOTAL OF 112 MILLION

TONS OF CRUDE, BEGINNING WITH 5 MILLION TONS IN 1976 AND RISING TO 10 MILLION TONS A YEAR DURING THE PERIOD 1978-87. PAYMENT IS TO BE MADE IN HARD CURRENCY AND AT INTERNATIONAL PRICES. IF PLANNED ADDITIONAL DELIVERIES DO MATERIALIZE, IRAQ WILL PROVIDE AS MUCH AS ONE-THIRD (ABOUT 10 MILLION TONS) OF INDIA'S CRUDE OIL IMPORTS BY 1978. THIS WOULD APPROXIMATELY EQUAL THE 1972 LEVEL OF IMPORTS

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PAGE 03 NEW DE 08086 01 OF 02 120740Z

FROM IRAN.

2. WHEN IT OPENED TENDERS FOR THE DEVELOPMENT OF THE NORTH RUMAILA FIELD, IRAQ RECEIVED BIDS ONLY FROM MAJOR WESTERN FIRMS. IT THEN EXTENDED THE DEADLINE IN ORDER TO PERMIT INDIA TO BID, AND GRANTED INDIA A CONTRACT TO EXPLORE FOR OIL IN AN AREA ADJOINING THE PRODUCING RUMAILA FIELD. THE EMBASSY'S MINERALS ATTACHE HAS HEARD RUMORS FOR SOME TIME THAT THE SOVIETS URGED THE IRAQIS

TO FACILITATE INDIAN ENTRY, BUT THESE HAVE NOT BEEN CONFIRMED. HE HAS ALSO LEARNED FROM OFFICIALS OF THE INDIAN OIL AND NATURAL GAS COMMISSION THAT THE GOI WILL BE PURCHASING LARGE QUANTITIES OF SOVIET EQUIPMENT FOR USE IN IRAQ, AND THAT FINAL ARRANGEMENTS MAY BE MADE DURING THE FORTHCOMING VISIT TO MOSCOW OF PETROLEUM MINISTER BAROOAH.

3. IRAQ HAS AGREED TO DISCUSS A SERIES OF PROJECTS IN IRAQ WHICH COULD BE BUILT WITH INDIAN EQUIPMENT AND TECHNICAL ASSISTANCE AS A MEANS OF INDIAN REPAYMENT FOR IRAQI POL. THESE PROJECTS INCLUDE RAIL DEVELOPMENT, PIPELINE CONSTRUCTION, STEEL PRODUCTION, PETRO-CHEMICALS AND FERTILIZER PRODUCTION. THE LAST IS PARTICULARLY PROMISING TO INDIA BECAUSE GAS CURRENTLY FLARED COULD BE UTILIZED TO PRODUCE A COMMODITY WHICH INDIA COULD IN TURN PURCHASE FROM IRAQ TO SUPPLY ITS OWN URGENT NEEDS. RAIL DEVELOPMENT AND PIPELINE CONSTRUCTION APPEAR TO BE HIGHER PRIORITY AREAS FROM IRAQ. THE TIMES OF INDIA CARRIED A STORY ON JULY 10 STATING THAT AN INDIAN RAILWAYS TEAM HAD ARRIVED IN BAGHDAD TO DO AN ECONOMIC STUDY OF A LINE BETWEEN BAGHDAD AND HSAIBEH ON THE IRAQ-SYRIA BORDER AND THAT INDIA MIGHT ALSO HELP CONVERT THE BAGHDAD-ARABIL LINE TO STANDARD GAUGE, BOTH PROJECTS TO BE PAID FOR BY OIL EXPORTS TO INDIA.

4. IRAQ AND INDIA HAVE AGREED TO ESTABLISH A JOINT COMMISSION FOR ECONOMIC COOPERATION WHOSE FIRST MEETING IS EXPECTED TO BE HELD BEFORE THE END OF 1973 AND TO WORK OUT SOME OF THESE ECONOMIC VENTURES MORE SPECIFICALLY. THE PROJECT INDIA IS MOST INTERESTED IN IS ITS NEW REFINERY TO BE BUILT AT MATHURAL (BETWEEN DELHI AND AGRA) IN WHICH IRAQ HAS SAID IT MAY BE PREPARED TO INVEST CAPITAL BY SUPPLYING CRUDE OIL SUPPLIES UP TO SOME AS YET UNDETERMINED AMOUNT. IRAQ HAS ALSO AGREED TO TRY TO PURCHASE AS MUCH EQUIPMENT AND COMMODITIES FROM INDIA AS POSSIBLE AS AN OFFSET TO INDIAN OIL PURCHASES. THERE ARE, HOWEVER, NO FIRM IRAQI COMMITMENTS AND INDIA WILL CLEAR ALL POL IMPORT BALANCES IN HARD

CONFIDENTIAL

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PAGE 04 NEW DE 08086 01 OF 02 120740Z

CURRENCY.

5. WHEN THE WASHINGTON POST RECENTLY PUBLISHED A STORY DATED IN TEHRAN THAT INDIA HAS A SECRET MILITARY AGREEMENT WITH IRAQ, AN OFFICIAL SPOKESMAN HERE DENIED THE STORY AND STRESSED THAT INDIA HAD QUITE OPENLY PROVIDED MILITARY TRAINING TO IRAQI PILOTS FOR THE LAST 14 YEARS (REF A). USINT BAGHDAD REPORTS CONFIRM THIS (REF B) AND HAVE NOTED THAT INDIA MAY ALSO PROVIDE SPARE PARTS FOR MIG AIRCRAFT. INDIAN AIR FORCE SOURCES CONFIRM THAT THERE HAS BEEN A PILOT-TRAINING MISSION IN IRAQ SINCE 1958 BUT THAT ITS STRENGTH HAS NOW DWINDLED FROM A HIGH OF 30 DOWN TO ABOUT 13. THEY PROFESS TO BE SURPRISED AT THE ATTENTION THIS SMALL EFFORT IS RECEIVING.

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PAGE 01 NEW DE 08086 02 OF 02 120133Z

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FM AMEMBASSY NEW DELHI

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INFO AMEMBASSY ABU DHABI

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C O N F I D E N T I A L SECTION 2 OF 2 NEW DELHI 08086

6. THE FOREIGN MINISTRY (JOINT SECRETARY FOR WEST ASIA AND NORTH AFRICA, N.P. ALEXANDER INDEPENDENTLY CONFIRMED THE INDIAN AIR FORCE FIGURE AND CATEGORICALLY ASSURED THE EMBASSY (A) INDIA IS NOT NOW SUPPLYING AND DOES NOT PLAN TO SUPPLY IRAQ WITH MIG PARTY, MILITARY TRAINING IN INDIA (EXCEPT TO LESS THAN 50 OFFICERS THROUGH THE REGULAR INDIAN MILITARY STAFF TRAINING INSTITUTES), OR SUBSTANTIAL QUANTITIES OF LETHAL OR NON-LETHAL EQUIPMENT; (B) INDIA SPECIFICALLY IS NOT TRAINING IRAQI OSA CREWS OR MIG PILOTS IN INDIA; (C) INDIA HAS NO PLANS FOR ANY JOINT MILITARY PRODUCTION FACILITIES WITH IRAQ; AND (D) IRAQ HAS NOT ASKED INDIA FOR ANY OF THE ABOVE ITEMS. INDIA HAS SUPPLIED SMALL AMOUNTS OF INFANTRY AND ARTILLERY EQUIPMENT BUT LESS THAN IS BEING PROVIDED TO SOME OTHER STATES
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 NEW DE 08086 02 OF 02 120133Z

(UNSPECIFIED) AND THE SAME TYPES OF EQUIPMENT WHICH HAVE PREVIOUSLY BEEN SOLD TO IRAN.

7. THERE IS NO FIRM INDICATION HERE THAT SOVIETS ARE ENCOURAGING INDIA TO FORGE CLOSER TIES WITH IRAQ. SA'AS HASHMI, DIRECTOR OF COORDINATION IN THE MINISTRY OF EXTERNAL AFFAIRS, TOLD THE POLITICAL COUNSELOR THAT THE SOVIETS HAD NOT SHOWN INDIA MUCH INTEREST IN INDO-IRAQI RELATIONS ALTHOUGH HE COULD NOT SPEAK FOR THE IRAQI SIDE. (THE SOVIET FACILITATION OF INDIAN PURCHASES OF OIL MACHINERY FOR INDIAN USE IN IRAQ NOTED ABOVE WOULD NOT NECESSARILY BE IN CONFLICT WITH HASHMI'S ASSERTION.) WE DO NOT HAVE ANY CONFIRMATION OF THE REPORT THAT THE SOVIETS MIGHT BACKSTOP THE INDIAN IN PROVIDING ASSISTANCE TO A BASRA STEEL MILL (REF B).

8. WE DO NOT EXCLUDE THE POSSIBILITY THAT THE INDIANS MAY BE SEEN BY THE IRAQIS AS A COUNTERWEIGHT TO SOVIET INFLUENCE. INDIA ALSO FINDS ITS OWN INTERESTS SERVED BY DEVELOPING IRAQ AS AN ALTERNATE OIL SOURCE TO IRAN (WHICH HAS DECLINED FOR THE PRESENT TO NEGOTIATE AN INCREASE IN OIL EXPORTS TO INDIA). IRAQI WILLINGNESS TO CONSIDER INVESTING IN AN INDIAN OIL REFINERY HOWEVER MERELY REPEATS WHAT IRAN HAS ALREADY DONE WITH THE INDIAN REFINERY NEAR MADRAS. (IRAN HAS DECLINED THE OPPORTUNITY TO INVEST IN ANOTHER INDIAN REFINERY AT GOA).

9. INDIA PRESUMABLY ALSO FINDS SOME POLITICAL ADVANTAGE IN CULTIVATING A MEMBER OF THE RADICAL ARAB FACTION AS A BALANCE FOR THE SUPPORT OTHER ARAB STATES HAVE GIVEN PAKISTAN IN THE PAST. IT IS CONCEIVABLE SOME INDIAN HAVE ALSO PLAYED WITH THE IDEA OF IRAQ AS A BALANCE ON THE WEST AGAINST IRANIAN-PAKISTANI PRESSURES ON INDIA. GIVEN WHAT PROMISES TO BE OVERWHELMING IRANIAN MILITARY POWER IN THE PERSIAN GULF AND ITS ABILITY TO CUT OFF OIL SUPPLIES TO INDIA FROM IRAQ IN A CRISIS SITUATION, THIS WOULD NOT SEEM TO BE A VERY PROMISING STRATEGIC LINE AND WE HAVE NOT HEARD ANY INDIANS OPENLY ARTICULATE IT.

10. THE INDIANS PROFESS BEWILDERMENT AT THE SPATE OF RUMORS OF THEIR MILITARY INVOLVEMENT WITH IRAQ AND SUGGESTIONS THAT THIS IS AIMED AT IRAN. THEY DENY IT ALL AND ASK WHY THE IRANIANS SHOULD ENCOURAGE SUCH REPORTS. EMBOFFS HAVE PROFESSED IGNORANCE AS TO THE SOURCE OF THE RUMORS BUT HAVE CONSISTENTLY SUGGESTED THAT IT WOULD BE WORTH THE INDIAN WHILE TO MAKE THEIR VIEWS KNOWN

CONFIDENTIAL

PAGE 03 NEW DE 08086 02 OF 02 120133Z

TO THE IRANIANS. JOINT SECRETARY ALEXANDER CLAIMS TO HAVE DONE THIS BUT SAYS THAT THE IRANIANS DO NOT SEEM TO BELIEVE THE INDIANS

AND CITES CONTINUING IRANIAN PRESS STORIES, SOME OF WHICH HE CLAIMS THE INDIAN KNOW HAVE ORIGINATED IN THE IRANIAN FOREIGN MINISTRY. ALL WE CAN SAY AT THIS POINT IS (A) WE HAVE NO EVIDENCE TO CONTRADICT ANY OF ALEXANDER'S ASSURANCES AND (B) HAVING PUT THESE ASSURANCES CATEGORICALLY ON RECORD, THE GOI WILL BE QUITE VULNERABLE IF THEY SUBSEQUENTLY PROVE FALSE. FOR THE MOMENT THEN, WE ARE INCLINED TO ACCEPT THE GOI'S POSITION THAT IT IS BEING "RELATIVELY" VIRGINAL IN ITS DEALINGS WITH IRAQ.
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